

Financial Report

*for the Fiscal period
ended February 28,*

Jul
Crawford Allied Industries Limited

1969



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DIRECTORS

Monte Cecil Beder
Harvey Melville Kerbel
Arthur Lerman
Harry Lerman
Arthur Lipton
Albert H. Rutherford
Nathan Louis Sandler

MANAGEMENT

Harry Lerman, President
Arthur Lerman, Vice-President
Arthur Lipton, Secretary-Treasurer

REGISTRAR AND TRANSFER AGENT

Canada Permanent Trust Company

AUDITORS

Brockman, Risman, Marr & Company, Toronto
Chartered Accountants

BANK

Canadian Imperial Bank of Commerce, Toronto

HEAD OFFICE

Maple, Ontario

LISTED

Canadian Stock Exchange



PRESIDENT'S REPORT

TO OUR SHAREHOLDERS:

The financial statements in this report cover the ten-month period, ended February 28, 1969. Our fiscal year end was changed from April 30 to February 28 as a means of facilitating our accounting procedures. The period has been highlighted by change and soundly planned expansion and progress. Your Company has a new name and a new outlook. We are confident that the changes we have made, or are in the process of making, will be reflected by even more significant results in the future.

Financial Review

During this ten-month period, it is gratifying to note that the net profit of the Company was \$179,798 — or almost double that recorded during the full 12 months ended April 30, 1968. This represented a net profit of 40.9 cents per share outstanding for the ten months compared to 21.5 cents for the previous 12 months. This is the highest return in

the five-year history of your Company. Sales for the period under review totalled \$2,213,131 compared with \$2,283,359 for the previous full 12-month period. On the basis of a ten-month period, this was again the highest sales figure we have yet achieved.

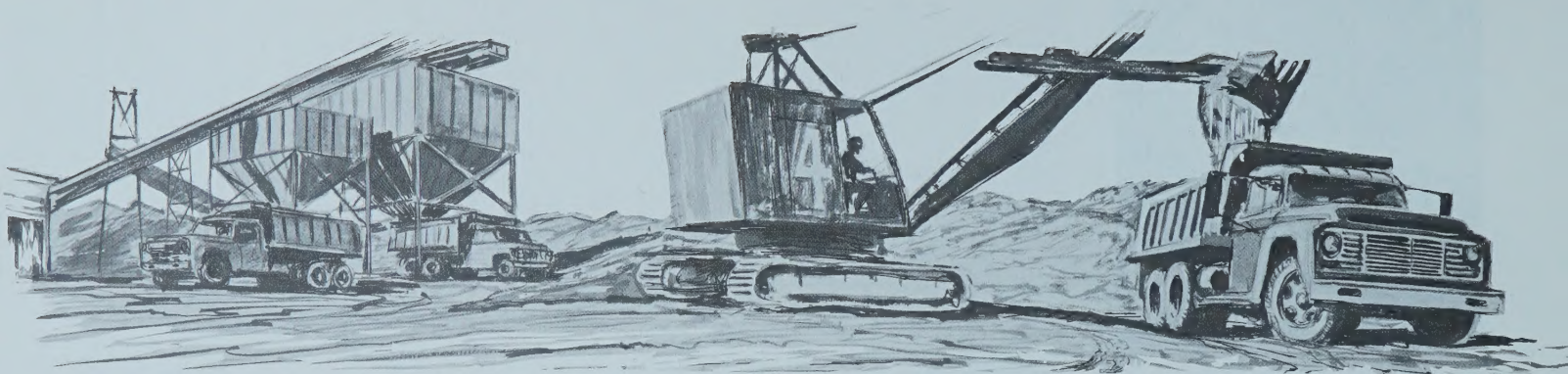
Expansion

In keeping with the Company's aggressive policy of growth and expansion, the name of your Company was changed in December, 1968, to Crawford Allied Industries Limited. Crawford-Ontario Sand & Gravel Company is an operating division of the Company. Santam Sales Limited and San-Mar Sand & Gravel Limited are subsidiaries.

Following the period of this report, in April, 1969, your Company acquired for cash, stock and a debenture all the outstanding shares of College Plumbing Supplies Limited. This is an old and well-established wholesale plumbing busi-

ness which is now branching out into the heating field. College Plumbing has profitable contacts in the contractor and construction areas and its acquisition will further broaden the base of Crawford Allied Industries Limited.

I am also pleased to report that your Company has entered into an agreement to acquire all the shares of Giordano Sand & Gravel Limited, control of all the shares of Kenvik Investments Limited and a long-term lease of certain sand and gravel pits from Giordano Sand & Gravel (Properties) Limited. This transaction will add to the Company's existing holdings approximately 275 acres of land containing high quality sand and gravel deposits in an area on the fringes of Metropolitan Toronto. We estimate that the Giordano properties contain a minimum 25-year supply of aggregates. In addition, Giordano Sand & Gravel Limited has some of the most modern wash-



ing, screening and crushing equipment on the market.

The above noted acquisition will allow Crawford Allied Industries Limited to supply the ready-mix concrete industry and enables your Company to become completely integrated in the sand and gravel business from Oshawa in the East to Brampton in the West. Funds for the acquisition of Giordano and the control of Kenvik will be raised largely through further equity financing.

While these completed and proposed acquisitions are still in the construction field, it is not your Company's policy to limit further expansion to this area alone. We will continue to take an interest in any venture which is sound and profitable and could be a strong asset to Crawford Allied Industries Limited.

The Future

The outlook for Crawford Allied Industries Limited is indeed a bright one.

All of the Company's operations, on completion of the present expansion program, are geared to the massive building and public works construction programs in the Greater Toronto area. This has been for some years one of the fastest-growing urban areas in North America and there is no sign of any abatement in this activity. On the contrary, announcement of programs such as the \$250-million Harbour Square development by the Campeau interests, the multi-million dollar Metro Centre planned by the CNR and CPR and a new Canadian Imperial Bank of Commerce skyscraper project, add still further to the growing tempo of construction in this market area.

These major projects will also necessitate further construction of public roads and services in addition to an already extensive program. Crawford Allied Industries Limited has contracts to supply aggregates for a number of major

projects such as the expansion of the MacDonald-Cartier Freeway to 12 lanes, widening of Highway 27, Steeles and Finch Avenues, construction of the Spadina Expressway and complex interchanges.

By broadening its base at this time, Crawford Allied Industries Limited is well poised to take advantage of this burgeoning market and expand its operations still further in tune with economic growth of the area.

I would like to take this opportunity to thank the Company's staff for their very real contribution towards making the past year another profitable one and their continuing efforts on your behalf as we move into a very bright future.

ON BEHALF OF THE BOARD

Harry Lerman
Harry Lerman
President

THE COMPANY: A PROFILE

Metropolitan Toronto's continuing construction boom, sparked by the ever-increasing requirements for new highways, new buildings, new sewer and water mains and new industrial developments, has been particularly beneficial to operators of quarries and gravel pits in the area.

The demand for high quality aggregates has risen at a significant rate in recent years and shows little sign of abatement. Companies in the sand and gravel business have, at times, been hard pressed to keep pace with the demand.

Crawford Allied Industries Limited is no exception.

Last year, the Company supplied more than two million tons of sand and gravel to construction projects in and about the Metropolitan Toronto area and sales were the highest in the Company's history.

As a result, Crawford Allied Industries Limited has embarked on a carefully-planned program of expansion and growth.

BACKGROUND

The business carried on by the Company began in 1959 with the incorporation of Crawford Sand and Gravel Limited. Five years later, in 1964, it amalgamated with a number of small companies engaged in the same business and became Crawford-Ontario Sand & Gravel Limited, a public company.

At that time a public offering was made of its securities to enable the Company to purchase new earth-moving equipment and to increase its working capital.

The Company purchased all the shares of San-Mar Sand & Gravel Limited in 1965 and all the shares of Santam Sales Limited in 1967. The former company is currently inactive. The latter is engaged at the Company's pits in Maple, Ontario — on the northerly fringe of Metropolitan Toronto — and distributes gasoline and gasoline products to both the Company and to independent truckers hauling from the Company's pits.

The Company now has 65 full-time employees and as many as 80 are employed at the height of the construction season.

Up to February 28, 1969, the end of the fiscal year covered by this financial report, the Company operated solely in the sand and gravel business. However, with a policy of growth and diversification in mind, the name of the Com-

pany was changed in December, 1968, to Crawford Allied Industries Limited.

OPERATIONS

The Company will continue in the immediate future to be primarily engaged in all phases of the sand and gravel business, including excavating, hauling and the operation of sand and gravel pits. The property at Maple encompasses some 204 acres.

This pit contains reserves of various aggregates used in highway and road, sewer and water main construction and in the building industry. In addition, the Company has access to other pits in and around Metropolitan Toronto.

The Company has been and will continue to supply sand and gravel aggregates for the



large-scale expressway, highway and subway construction projects in the area as well as other building and urban expansion programs. With the implementation of the Company's current expansion plans, it is expected that the output of some two million tons last year will be increased.

EQUIPMENT

Crawford Allied Industries Limited operates a fleet of 35 heavy duty trucks. During the Company's many busy periods, this fleet can be augmented by up to 100 for-hire vehicles. The Company has its own garage and workshop facilities at Maple staffed with full-time mechanics. This provides for all repairs and maintenance work on trucks and other equipment on the premises at considerable savings in time and cost.

The Company also maintains its own crushing and screening plants at the Maple pit and modern, large-capacity loading equipment. Up-to-date weigh scales can handle one truck each minute or upwards of 10,000 to 12,000 tons of material a day.

Two new pieces of loading equipment were purchased for the Maple plant in the past year and a modernization program for other machinery was completed.

ACQUISITIONS

In April of this year—subsequent to the fiscal year-end—Crawford Allied Industries Limited purchased for cash, stock and a debenture all outstanding shares of College Plumbing Supplies Limited.

College Plumbing is a major wholesale distributor of plumbing supplies to contractors in the Ontario market. It has been in business for



more than 31 years and is now branching out into the heating field.

The business of College Plumbing falls into two main categories: sales over the counter to small plumbing contractors and bulk contracts with builders of major projects. The Company has a lease expiring in December, 1977, of some 7,000 square feet at its retail outlet in the City of Toronto and a lease of approximately 17,300 square feet of warehouse and office space in the Borough of North York. This latter lease expires on December 31, 1970, and is re-



newable at the same rent for a further seven years.

College Plumbing, which has 34 full-time employees, currently has on hand substantial orders for plumbing supplies. It is anticipated that, with a continuing increase in building activity in the Metropolitan Toronto area, there will be further growth in its sales volumes.

Irving Erenberg, former owner of College Plumbing, remains as president of the Company. He joined the firm in 1945.

Constantly aware of the need to seek con-

CRAWFORD ALLIED INDUSTRIES LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS FOR THE TEN MONTHS ENDED FEBRUARY 28, 1969 (with comparative figures for the year ended April 30, 1968)

	TEN MONTHS ENDED FEBRUARY 28, 1969	YEAR ENDED APRIL 30, 1968
Sales	\$2,213,131	\$2,283,359
Cost of sales	581,812	712,688
Gross margin	\$1,631,319	\$1,570,671
Expenses	\$1,153,815	\$1,233,712
Depreciation and depletion	85,428	119,029
Interest on long term debt	21,347	32,434
	<u>\$1,260,590</u>	<u>\$1,385,175</u>
Net earnings before income taxes	\$ 370,729	\$ 185,496
Income taxes	190,931	91,594
Net earnings	<u>\$ 179,798</u>	<u>\$ 93,902</u>
Net earnings per share	40.9¢	21.5¢
Shares outstanding	439,500	436,000

(Amounts paid by the Company during 1969 in respect of remuneration of directors and Senior Officers Aggregated \$93,796.)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE TEN MONTHS ENDED FEBRUARY 28, 1969 (with comparative figures for the year ended April 30, 1968)

	TEN MONTHS ENDED FEBRUARY 28, 1969	YEAR ENDED APRIL 30, 1968
Balance — at beginning of period	\$ 461,657	\$ 433,155
<i>Add</i> — Net earnings for period	179,798	93,902
	<u>\$ 641,455</u>	<u>\$ 527,057</u>
<i>Less</i> — Dividends paid	32,700	65,400
Balance — at end of period	<u>\$ 608,755</u>	<u>\$ 461,657</u>

tinuing supplies of sand and gravel, Crawford Allied Industries Limited has entered into an agreement to acquire all the shares of Giordano Sand & Gravel Limited, control of all the shares of Kenvik Investments Limited, and a long-term lease of certain pits and quarries from Giordano Sand & Gravel (Properties) Limited.

This transaction will add to the Company's holdings some 275 acres of land containing high-quality sand and gravel deposits in the Township of Uxbridge, a prime location from which the entire Metropolitan Toronto area can be economically served. Kenvik owns part of these properties.

Giordano has been in the sand and gravel business since 1958 and today has a modern washing, crushing and screening plant with an output of 300 tons an hour. The washed aggregates produced are sold for concrete mixes.

The Company plans to expand production at the Giordano pits to produce aggregates for highway construction and backfill materials for building construction. This will enable the Company to become fully-integrated in all phases of the industry.

Supplies of top grade material on the Giordano property are estimated at between 40 million and 50 million tons.

Principals of the Uxbridge company, Dominick and Victor Giordano, will continue in executive capacities after the acquisition. Giordano has 14 full-time employees.

Crawford Allied Industries Limited anticipates that the demand for high quality sand and gravel used in road construction and in the building industry will continue at a substantial level in the Metropolitan Toronto region. The acquisition of Giordano will constitute a valuable addition to the Company's ability to meet the demand for sand and gravel supplies.

CRAWFORD ALLIED INDUSTRIES LIMITED and subsidiary companies

CONSOLIDATED BALANCE SHEET AS AT FEBRUARY 28, 1969 (with comparative figures as at April 30, 1968)

ASSETS		LIABILITIES	
CURRENT:	1969	1968	CURRENT:
Cash and short-term deposits	\$ 209,096	\$ 93,817	Accounts payable and accrued liabilities
Accounts receivable — after provision for doubtful accounts	183,599	243,076	Income taxes payable
Inventory of processed sand and gravel — at lower of cost or net realizable value	102,490	59,563	Loans payable to directors
Prepaid expenses and sundry assets	81,994	74,717	Long term debt — current portion
Special refundable tax	16,756	16,134	
	<u>\$ 593,935</u>	<u>\$ 487,307</u>	
FIXED: (Note 1)			LONG TERM — after deducting amounts included in current liabilities
Land available for sand and gravel operations	\$ 462,268	\$ 462,268	Mortgages and debentures payable (Note 2)
Buildings, equipment, rolling stock and vehicles	1,087,257	1,046,943	Due on equipment
	1,549,525	1,509,211	
Less — Accumulated depreciation and depletion	778,996	717,910	
	<u>\$ 770,529</u>	<u>\$ 791,301</u>	
EXCESS OF COST OF SHARES OF SUBSIDIARY OVER NET BOOK VALUE OF ASSETS ACQUIRED	<u>\$ 150,229</u>	<u>\$ 150,229</u>	DEFERRED INCOME TAXES (Note 3)
APPROVED ON BEHALF OF THE BOARD			SHAREHOLDERS' EQUITY
HARRY LERMAN, Director			CAPITAL STOCK:
ARTHUR LIPTON, Director			Authorized — 1,000,000 shares without par value
			Issued and fully paid — 439,500 shares
			— 436,000 shares
			RETAINED EARNINGS
			CONTRIBUTED SURPLUS (Note 5)
See accompanying notes.	<u>\$1,514,693</u>	<u>\$1,428,837</u>	

AUDITORS' REPORT

To the Shareholders of Crawford Allied Industries Limited:

We have examined the consolidated balance sheet of Crawford Allied Industries Limited and Subsidiary Companies as at February 28, 1969 and the consolidated statements of earnings and retained earnings for the ten months ended February 28, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings present fairly the financial position of Crawford Allied Industries Limited and its Subsidiary Companies as at February 28, 1969 and the results of their operations for the ten months ended on that date, in accordance with generally accepted accounting principles applied on a consistent basis except for the change in the basis of valuation of fixed assets referred to in Note 1 with which we concur.

Our examination also included the accompanying consolidated statement of source and application of funds and working capital which, in our opinion, when considered in relation to the aforementioned statements, presents fairly the changes in the consolidated financial position of Crawford Allied Industries Limited and its Subsidiary Companies for the ten months ended February 28, 1969.

Toronto, Ontario
June 12, 1969.

BROCKMAN, RISMAN, MARR & COMPANY
Chartered Accountants

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS AND WORKING CAPITAL FOR THE TEN MONTHS ENDED FEBRUARY 28, 1969

(with comparative figures for the year ended April 30, 1968)

1969	1968		TEN MONTHS ENDED FEBRUARY 28, 1969	YEAR ENDED APRIL 30, 1968
\$ 165,516	\$ 157,409	SOURCE OF FUNDS		
101,996	98,576	Net earnings for period	\$179,798	\$ 93,902
6,925	918	Non-cash items deducted in determining		
66,685	94,153	profit for period		
<u>\$ 341,122</u>	<u>\$ 351,056</u>	— Depreciation and depletion	85,428	119,029
		— Deferred income taxes	(19,250)	(5,613)
		CASH FLOW FROM OPERATIONS	<u>\$245,976</u>	<u>\$207,318</u>
\$ 294,748	\$ 338,956	Increase in mortgages payable	—	120,000
1,650	—	Increase in balance due on equipment	1,650	—
<u>\$ 296,398</u>	<u>\$ 338,956</u>	Disposal of fixed assets	12,700	11,000
\$ 26,718	\$ 45,968	Issue of capital stock	10,500	—
<u>\$ 664,238</u>	<u>\$ 735,980</u>		<u>\$270,826</u>	<u>\$338,318</u>
		APPLICATION OF FUNDS		
\$ 236,700	\$ —	Additions to fixed assets	\$ 77,356	\$ 33,337
—	226,200	Purchase of shares of Santam Sales Limited	—	150,229
608,755	461,657	Reduction in mortgages payable	44,208	80,635
5,000	5,000	Reduction in balance due on equipment	—	28,518
<u>\$ 850,455</u>	<u>\$ 692,857</u>	Dividends paid	32,700	65,400
<u>\$1,514,693</u>	<u>\$1,428,837</u>		<u>\$154,264</u>	<u>\$358,119</u>
		INCREASE IN WORKING CAPITAL	<u>\$116,562</u>	<u>\$ (19,801)</u>
		WORKING CAPITAL		
		Balance — at beginning of period	\$136,251	\$156,052
		Increase during period	116,562	(19,801)
		Balance — at end of period	<u>\$252,813</u>	<u>\$136,251</u>

CRAWFORD ALLIED INDUSTRIES LIMITED and subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. FIXED ASSETS

CHANGE IN BASIS OF VALUATION OF FIXED ASSETS:

During the year the Company changed the basis of valuation of fixed assets by eliminating the excess of their appraised value over cost, which excess amounted to \$770,665. Accordingly, the Company's fixed assets are now valued at cost less accumulated depreciation and/or depletion thereon. For comparative purposes, fixed assets as at April 30, 1968, have been valued on the same basis as above.

The change has no effect on the earnings of the Company for the current year or prior years, because no depreciation and/or depletion on the excess of the appraised value over cost was charged to earnings.

2. MORTGAGES AND DEBENTURES PAYABLE

	1969	1968
First Debenture Payable — 8% due May 20, 1970	\$196,033	\$215,641
Second Debenture Payable — No Interest — Due October 31, 1971	90,000	105,000
Mortgage Payable — 7% due October 28, 1968	—	2,350
Mortgage Payable — 7% due October 31, 1976	73,600	81,600
	<u>\$359,633</u>	<u>\$404,591</u>
Less — Current Portion	64,885	65,635
	<u>\$294,748</u>	<u>\$338,956</u>

3. DEFERRED INCOME TAXES

The Company has provided for deferred income taxes on the excess of available accelerated capital cost allowances over established normal capital cost allowances. The deferred income taxes are applicable to those periods in which the accelerated capital cost allowances claimed for tax purposes will be less than the normal capital cost allowances recorded in the accounts.

4. DIVIDENDS

According to the terms of the first debenture mentioned in Note 2, the Company cannot pay in any fiscal year any dividends which are in excess of fifty percent (50%) of the previous fiscal year's net profits or if any such dividends have the effect of reducing the net worth of the Company as represented by capital stock and retained earnings below the amount of \$400,000.

5. CONTRIBUTED SURPLUS

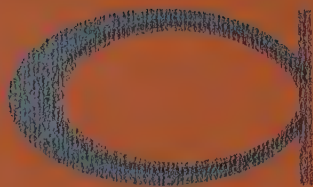
This amount arises from the sale of 100,000 share purchase warrants.

6. SUBSEQUENT EVENTS

- (i) The Company has entered into an agreement dated May 15, 1969 to purchase all the outstanding shares of Giordano Sand & Gravel Limited for a consideration of \$750,000.

in cash. Giordano Sand & Gravel Limited will enter into a lease of certain sand and gravel pits for a term of ten years and six months to be computed from the date of closing of the purchase of all its outstanding shares by Crawford Allied Industries Limited. Giordano Sand & Gravel Limited will pay a yearly rental of \$100,000 in equal consecutive monthly installments of \$8,333 and, in addition, all costs and expenses relating to the leased premises. Giordano Sand & Gravel Limited will have an exclusive option to purchase, at the expiration of the lease, the said premises for a total of \$10.

- (ii) The Company has entered into an agreement dated May 15, 1969 to purchase 50% of the outstanding shares and certain shareholders' advances owing by Kenvik Investments Limited for a consideration of \$40,000 in cash and intends to sell this interest to Giordano Sand & Gravel Limited at the Company's cost. Giordano Sand & Gravel Limited presently owns the other 50% interest in the outstanding shares of Kenvik Investments Limited.
- (iii) The lease agreement which will be entered into by Giordano Sand & Gravel Limited in Note 6 (i) above will be guaranteed as follows:
- (a) Giordano Sand & Gravel Limited will give mortgages against its properties and chattels as security for performance of the lease.
- (b) Kenvik Investments Limited will guarantee the performance of the lease and will give as collateral security to its guarantee a mortgage against its properties.
- (c) The Company will also guarantee the performance of this lease.
- (iv) In April, 1969, the Company purchased all the outstanding shares of College Plumbing Supplies Limited for a total consideration of \$900,000 paid as follows: \$300,002 in cash. The allotment and issue of 22,222 fully paid and non-assessable shares of the Company for \$199,998 and the issue of a \$400,000 7 1/2% debenture maturing April 14, 1974. College Plumbing Supplies Limited has entered into two leases as follows:
- (a) A seven-year lease of warehouse and office space in the Borough of North York expiring December 31, 1970, subject to the privilege of renewal for a further term of seven years on the same terms save and except as to the further privilege of renewal, at a yearly rental of \$14,252 payable in equal consecutive monthly installments of \$1,188.
- (b) A ten-year lease of its retail outlet in the City of Toronto expiring December 31, 1977, at a yearly rental of \$6,000, payable in equal consecutive monthly installments of \$500.
- (v) 96,500 share warrants of the Company have been converted into 96,500 fully paid and non-assessable shares of the Company for a total consideration of \$289,500.
- (vi) The Company intends to issue and sell shares in order to pay for the acquisition of Giordano Sand & Gravel Limited, to satisfy bank indebtedness of the Company incurred at the time of its acquisition of College Plumbing Supplies Limited and to provide working capital. Accordingly a Preliminary Prospectus dated June 25, 1969 has been filed with the Ontario Securities Commission.



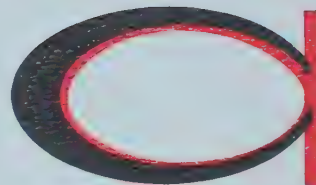
Crawford Allied Industries Limited

P.O. Box 280, Maple, Ontario



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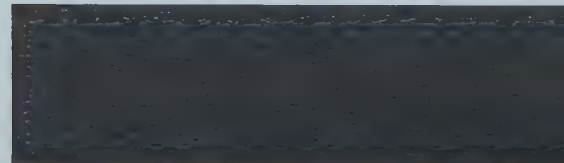


Crawford
Allied
Industries
Limited

interim report to shareholders



six months ended August 31, 1969



CRAWFORD ALLIED INDUSTRIES LTD.
P.O. BOX 280,
MAPLE, ONTARIO

CRAWFORD ALLIED INDUSTRIES LIMITED

Interim Report to Shareholders

I am pleased to report a further improvement in the company's overall financial position in the six months ended August 31, 1969, with total sales of \$2,952,214.

Consolidated net earnings for the period were \$137,228, or 24.6 cents a share. No comparative figures are available for the same period in 1968 due to the change in the company's year end.

The latest figures, which are unaudited, reflect in part the acquisition, in April, 1969, of College Plumbing Supplies Limited. The volume of plumbing and heating business done by this firm during the period under review has increased some 13 per cent over the same period a year ago.

At the same time, Crawford Allied's sand and gravel business has remained at approximately the same volume as a year ago although the change in the year end will more evenly balance the financial results of the two fiscal halves.

You will note that the acquisition of College Plumbing has, in part, resulted in a significant increase in the company's overall working capital from \$252,000 to \$613,000 during the latest six-month period.

We believe the current financial statement points up the benefit to your company in pursuing a carefully planned program of expansion and diversification.

Harry Lerman
President

October 20, 1969

CONSOLIDATED STATEMENT OF EARNINGS for the six months ended August 31, 1969 (unaudited)

SALES	\$2,952,214
Earnings from operations before depreciation, depletion, amortization and taxes on income	\$ 343,049
Depreciation, depletion and amortization	\$ 36,415
Earnings from operations before taxes on income	\$ 306,634
Taxes on income	\$ 169,406
NET EARNINGS	\$ 137,228
EARNINGS PER SHARE	24.6¢
SHARES OUTSTANDING	558,222

See accompanying notes

NOTES:

- I The results of College Plumbing Supplies Limited are included for the post-acquisition period May 1, 1969 to August 31, 1969.
- II Comparative figures are not available for 1968 because of the change in the company's fiscal year end.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS WORKING CAPITAL for the six months ended August 31, 1969 (unaudited)

SOURCE OF FUNDS		
Operations:		
Net earnings for period	\$137,228	
Depreciation, depletion and amortization	\$ 36,415	
Cash flow from operations		\$ 173,643
Issue of capital stock		\$ 489,498
Issue of debenture		\$ 400,000
Disposal of fixed assets		\$ 92,250
TOTAL FUNDS PROVIDED		\$1,155,391
APPLICATION OF FUNDS		
Purchase of shares of College Plumbing Supplies Limited		\$ 909,618
Deposit and costs to August 31, 1969 for proposed purchase of shares of Giordano Sand & Gravel Limited and Kenvik Investments Limited		\$ 78,704
Reduction in long term debt		\$ 134,223
Addition to fixed assets		\$ 44,760
Dividends paid		\$ 32,962
Deferred income taxes		\$ 26,718
TOTAL FUNDS APPLIED		\$1,226,985
DECREASE IN WORKING CAPITAL		\$ 71,594
WORKING CAPITAL		
Balance at beginning of period		\$ 252,813
Add — Working capital of College Plumbing Supplies Limited at date of acquisition		
Less — Decrease in working capital during period		\$ 432,248
Balance at end of period		\$ 685,061
See accompanying notes		\$ 71,594
		\$ 613,467

AMENDED PROSPECTUS

1969

A

This amended prospectus constitutes a public offering of these securities in the Provinces of Ontario and Quebec only.

No Securities Commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

New Issue**Crawford Allied Industries Limited**

200,000 Shares
(without par value)

Accompanied by Share Purchase Warrants

offered in Units of 4 shares and 1 share purchase warrant entitling the holder to purchase at any time prior to the close of business on October 31, 1972, 1 share in the capital of the Company as presently constituted at the price of \$4.75. The warrants will have anti-dilution provisions. Further information relating to the warrants appears on page 7.

The Company's shares are listed on the Canadian Stock Exchange.

Price: \$19 per Unit

	Price to public	Underwriting discount	Proceeds to Company ⁽¹⁾
Per unit.....	\$19	\$1.90	\$17.10
Total.....	\$950,000	\$95,000	\$855,000

(1) Before deducting expenses of the offering payable by the Company estimated not to exceed \$45,000.

(2) As shown under "Plan of Distribution" on page 7 the Underwriter is purchasing from the Company 50,000 share purchase warrants not forming part of the Units.

We offer these Units subject to prior sale, if, as and when issued and accepted by us and subject to the approval on behalf of the Company of all legal matters by Messrs. Cadsby, Solish & Kerbel, Toronto, and of certain legal matters by Messrs. Borden, Elliot, Kelley & Palmer, Toronto, and on our behalf, of all legal matters by Messrs. Salter, Reilly, Jamieson & Apple, Toronto.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates and warrants in definitive form will be available for delivery on or about October 31, 1969.

AMENDED PROSPECTUS

B

This amended prospectus constitutes a public offering of these securities in the Provinces of Ontario and Quebec only.

No Securities Commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

Secondary Issue

Crawford Allied Industries Limited

50,000 Shares

(without par value)

The Company's shares are listed on the Canadian Stock Exchange.

PRICE

These 50,000 shares will be sold in the open market through the facilities of the Canadian Stock Exchange. The price to the public for these shares will vary with the price for shares of the Company on the Canadian Stock Exchange. On October 7, 1969 the market price for shares of the Company on the Canadian Stock Exchange was \$4.70.

The Selling Shareholders, shown under "Principal and Selling Shareholders" on page 8, will pay to their agents, Annett Partners Limited, with respect to any of these shares sold on their behalf, the applicable commissions prescribed by the Canadian Stock Exchange.

The Company will receive no part of the proceeds from the sale of these 50,000 shares. Such proceeds, after deduction of the said applicable commissions, applicable stock transfer taxes and expenses of the offering payable by the Selling Shareholders estimated not to exceed \$15,000, will accrue to the Selling Shareholders.

We, as agents on behalf of the Selling Shareholders, offer these 50,000 shares subject to prior sale and subject to the approval on behalf of the Selling Shareholders, of all legal matters by Messrs. Cadsby, Solish & Kerbel, Toronto, and of certain legal matters by Messrs. Borden, Elliot, Kelley & Palmer, Toronto, and on our behalf, of all legal matters by Messrs. Salter, Reilly, Jamieson & Apple, Toronto.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

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THE COMPANY

Crawford Allied Industries Limited (hereinafter called the "Company") is principally engaged in all phases of the operation of its own sand and gravel pits in the vicinity of Metropolitan Toronto, including excavation, sale and transportation of sand and gravel therefrom.

The Company, the name of which was formerly Crawford-Ontario Sand & Gravel Limited, is the continuing corporation resulting from the amalgamation under the laws of Ontario, confirmed by letters patent of amalgamation dated May 1, 1964, of Crawford Sand and Gravel Limited, Harry Lerman Limited, Arthur Lerman Limited and Arthur Lipton Limited (the "predecessor companies"). The Company's present name was granted by supplementary letters patent dated December 10, 1968.

The Company now carries on its sand and gravel business under the name Crawford-Ontario Sand & Gravel Company.

San-Mar Sand & Gravel Limited and Santam Sales Limited are two of the Company's wholly-owned subsidiaries. The former is currently inactive. The latter is engaged at the Company's pits in Maple, Ontario, in distributing gasoline and gasoline products to the Company and to independent truckers hauling from the Company's pits.

Recently, the Company has entered into agreements to acquire all the shares of Giordano Sand & Gravel Limited, control of all the shares of Kenvik Investments Limited and a lease of additional sand and gravel pits from Giordano Sand & Gravel (Properties) Limited. As part of a programme of diversification, the Company has purchased all the shares of College Plumbing Supplies Limited. Reference is made to "College Plumbing Supplies Limited" below, to "Giordano Sand & Gravel Limited" on page 4, and to "Material Contracts" on page 9.

The principal and head office of the Company is situated at Maple, Ontario.

Reference herein to the Company extends to all predecessor corporations and to any subsidiary corporations which have from time to time carried on or are presently carrying on the various operations of the Company.

BUSINESS OF THE COMPANY

History

The sand and gravel business carried on by the Company began in 1959 with the incorporation of Crawford Sand and Gravel Limited, one of the predecessor companies. In 1964 the predecessor companies, which were private companies engaged in the sand and gravel business, amalgamated to form Crawford-Ontario Sand & Gravel Limited, a public company, and a public offering was made of its securities to enable the Company to purchase new earth-moving equipment and increase its working capital.

The Company purchased all the shares of San-Mar Sand & Gravel Limited in 1965 and all the shares of Santam Sales Limited in 1967.

The Company now has 65 full-time employees and in the construction season may have as many as 80 employees. The Company serves the road-building and construction industries in the Metropolitan Toronto area.

Recently the Company's management embarked on a policy of acquiring additional sand and gravel pits and at the same time of diversifying its interests. To this end, the following two substantial acquisitions have been undertaken.

College Plumbing Supplies Limited

In April, 1969 the Company acquired all the shares of College Plumbing Supplies Limited ("College Plumbing"), a major wholesale distributor of plumbing supplies to contractors in the Ontario market. College Plumbing has been in this business for more than 31 years.

The business of College Plumbing falls into two main categories, (a) sales over the counter to small plumbing contractors and (b) bulk contracts with builders of major projects. College Plumbing has a lease, expiring on December 31, 1977, of approximately 7,000 sq. ft. at its retail outlet in the City of Toronto and a lease of approximately 17,300 sq. ft. of warehouse and office space in the Borough of North York. The

latter lease expires on December 31, 1970 and is renewable at the same rent for a further seven years. There are 34 full-time employees.

Future

College Plumbing currently has in hand substantial orders for plumbing supplies and, if the rate of building activity in the Metropolitan Toronto area continues to increase, anticipates continuing growth in its sales volume.

Acquisition Costs

All the issued common shares of College Plumbing were purchased from Mr. Irving Erenberg who was its President and the beneficial owner of all its shares, for a price of \$900,000 which was satisfied as follows:

Cash.....	\$300,002
7½% Debenture.....	400,000
22,222 treasury shares of the Company.....	199,998
	<u>\$900,000</u>

The 7½% Debenture is collaterally secured by a pledge of all the issued common shares of College Plumbing. Reference is made to "Material Contracts" on page 9.

Giordano Sand & Gravel Limited

Constantly aware of the need to seek continuing supplies of sand and gravel, the Company, in May 1969 entered into an agreement (subsequently amended) to acquire all the shares of Giordano Sand & Gravel Limited ("Giordano"), control of all the shares of Kenvik Investments Limited ("Kenvik") and a long-term lease of certain sand and gravel pits from Giordano Sand & Gravel (Properties) Limited. This transaction will add to the Company's existing holdings approximately 275 acres of land in which are to be found high quality sand and gravel deposits, in the Township of Uxbridge, a location from which the entire Metropolitan Toronto area can be economically served. Kenvik owns part of these lands.

Giordano has been in the sand and gravel business since 1958 and to-day has a modern washing, crushing and screening plant with an output of 300 tons per hour from which it produces and sells washed aggregates for concrete mixes. The Company plans to expand production at the Giordano pits to produce also aggregates for highway construction and backfill materials for building construction. Giordano has 14 full-time employees.

Future

The Company anticipates that the demand for high quality sand and gravel used in road construction and in the building industry will continue at a substantial level in the Metropolitan Toronto area and its immediate vicinity. In the judgment of management, the acquisition of Giordano will constitute a valuable addition to the Company's reserves of sand and gravel and, consequently, to its capacity to meet such demand.

Acquisition Costs

The Company has agreed to purchase all the issued shares of Giordano for a price of \$750,000 and 50% of the issued shares of Kenvik (the other 50% of which issued shares are owned by Giordano) and certain shareholders' advances owing by Kenvik for a price of \$40,000, which prices are to be satisfied as follows:

Deposits on execution of agreements of purchase and sale. . . .	\$ 50,000
Balances payable in cash not later than November 13, 1969. . . .	740,000
	<u>\$790,000</u>

On August 15, 1969 the Company paid to the vendors, for the extension of the closing date to November 13, 1969, the sum of \$17,250 which sum is not to be credited against the purchase price.

Immediately after the closing of the above transactions, the Company intends to sell to Giordano its 50% interest in Kenvik and the said shareholders' advances for the sum of \$40,000, which results in a net cost to the Company of \$767,250 for the acquisition of Giordano and Kenvik.

PROPERTY OF THE COMPANY

The Company's sand and gravel pits, which it owns, are located near the Town of Maple and extend to approximately 200 acres. Reference is made to the heading "Capitalization" below for particulars of the encumbrances on these lands.

At its Maple pit the Company produces screened sand for the manufacture of asphalt. It also produces mortar sand and brick sand and material for the manufacture of (a) concrete blocks and (b) granular "A" mulch, which is used as a base for highways. To achieve this production the Company has three screening plants, a portable crusher with a capacity of 150 tons per hour and equipment for excavating and loading sand and gravel. It also has over 30 trucks and a garage and machine shop in which it services its trucks and equipment.

The pits which will be available to the Company as a result of the Giordano transaction are located on approximately 275 acres of land, 176 of which are in the Township of Uxbridge and will be owned by Giordano and 99 of which, also in the Township of Uxbridge, will be leased to Giordano until 1980 by Giordano Sand & Gravel (Properties) Limited. This lease will contain an option to Giordano to buy the land for the sum of \$10.00 at the expiry of the lease. Performance by Giordano of its obligations under the lease will be secured by a mortgage of its real property and a mortgage of its chattels and will be guaranteed by the Company and Kenvik. Kenvik will also mortgage its real property as security for its guarantee. Reference is made to Note 3 to the Financial Statements on page 13.

By Notice of Expropriation dated February 9, 1968 the Company was notified that .064 acres of its lands at Maple had been expropriated by the Corporation of the County of York. In the opinion of management the effect of this expropriation is not significant in relation to the Company's overall undertaking. The amount of compensation payable to the Company has not yet been settled.

CAPITALIZATION

The following table shows the capitalization of the Company and its Subsidiaries:

	<u>Authorized</u>	<u>Outstanding as at February 28, 1969</u>	<u>Outstanding as at June 15, 1969</u>	<u>Outstanding as at June 15, 1969 after giving effect to this financing</u>
LONG-TERM DEBT AND BANK LOANS				
<i>Crawford Allied Industries Limited</i>				
Secured bank loans ⁽¹⁾		—	\$374,000	\$374,000
7% First Mortgage due 1976 ⁽²⁾		\$ 73,600	70,400	70,400
8% Debenture to mature 1970 ⁽³⁾		196,033	187,825	187,825
7½% Debenture to mature 1974 ⁽⁴⁾		—	400,000	400,000
Debenture to mature 1971 ⁽⁵⁾		90,000	75,000	75,000
Sundry Indebtedness.....		3,450	2,850	2,850
<i>College Plumbing Supplies Limited</i>				
Secured bank loans ⁽¹⁾		378,612	390,000	390,000
SHARE CAPITAL OF THE COMPANY				
Shares without par value.....	1,000,000	439,500 (\$236,700)	558,222 ⁽⁶⁾ (\$726,198)	758,222 ⁽⁷⁾ (\$1,581,198)

NOTES:

- (1) These loans are secured by a general assignment of book debts and are also guaranteed by the Company.
- (2) This mortgage is secured on a portion of the Company's lands in Maple and is repayable by monthly instalments of \$800 (principal) plus interest.
- (3) This Debenture is secured (i) by a first specific charge on a substantial portion of the Company's lands in Maple (ii) by a first specific charge on certain of the Company's equipment and (iii) by a first floating charge on the Company's undertaking. It is renewable for a further period of 5 years at a rate of interest not to exceed 9% per annum and is repayable by monthly instalments of \$3,318 (principal and interest included).
- (4) This Debenture is secured (i) by a specific charge on substantially all the Company's lands, ranking junior to the 7% first mortgage and 8% Debenture referred to above (ii) by a specific charge on substantially all the Company's equipment, ranking in some cases junior to the specific charge contained in the said 8% Debenture (iii) by a pledge of all the issued common shares

- of College Plumbing and (iv) by a floating charge on the Company's undertaking, ranking junior to the floating charge contained in the said 8% Debenture. This Debenture is repayable by quarter-yearly instalments of \$20,000 (principal) plus interest.
- (5) This Debenture is interest free. It is secured by a floating charge, ranking junior to the floating charge contained in the two debentures referred to above. The principal of this Debenture is repayable by semi-annual instalments of \$15,000.
- (6) Immediately prior to June 15, 1969, 96,500 share purchase warrants were exercised and 96,500 shares were issued by the Company at \$3.00 per share.
- (7) 127,911 shares have been reserved for allotment under (a) stock options referred to on page 7 and (b) share purchase warrants issued pursuant to the underwriting agreement referred to under "Plan of Distribution" on page 7.
- (8) See Note 3 to the Financial Statements on page 13 for information concerning the lease obligations of the Company and its subsidiaries.

USE OF PROCEEDS

The estimated net proceeds from the sale of the Units being offered by this prospectus and the 50,000 warrants being sold to the Underwriter, after deducting the Company's share of the expenses of the issue, will be \$810,450. They will be used as follows:

(a) to pay the net acquisition cost of Giordano.....	\$767,250
(b) working capital for subsidiaries.....	\$ 43,200

MANAGEMENT

Management of the Company is under the direction of Messrs. Harry Lerman, Arthur Lerman and Arthur Lipton, each of whom has had approximately 25 years of operating experience in the production of sand and gravel aggregates.

Mr. Irving Erenberg who has been associated with College Plumbing for more than 20 years, latterly as its President, is continuing on a 5-year employment contract as its general manager. Reference is made to "Material Contracts" on page 9.

Messrs. D. Giordano and V. Giordano, who founded the Giordano company in 1957, on completion of the purchase of Giordano by the Company will enter into 5-year employment contracts with Giordano and will continue in executive capacities. Reference is made to "Material Contracts" on page 9.

DIRECTORS AND OFFICERS

<u>Name and Home Address</u>	<u>Office</u>	<u>Principal Occupation during last five years</u>
HARRY LERMAN..... 222 Acton Avenue, Downsview, Ontario.	President, Director.....	Executive of the Company
ARTHUR LERMAN..... 225 Acton Avenue, Downsview, Ontario.	Vice-President, Director.....	Executive of the Company
ARTHUR LIPTON..... 249 Hillhurst Boulevard, Toronto, Ontario.	Secretary-Treasurer, Director.....	Executive of the Company
HARVEY MELVILLE KERBEL..... 212 Richview Avenue, Toronto, Ontario.	Director.....	Barrister and Solicitor
MONTE CECIL BEDER..... 109 Glenayr Road, Toronto, Ontario.	Director.....	Vice-President of N. L. Sandler & Co. Limited
NATHAN LOUIS SANDLER..... 1 Manitou Boulevard, Toronto, Ontario.	Director.....	President of N. L. Sandler & Co. Limited
ALBERT H. RUTHERFORD..... R.R. No. 2, Woodbridge, Ontario.	Director.....	Insurance Agent

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid by the Company and its consolidated subsidiaries to its directors and senior officers during the financial period ended February 28, 1969 was \$93,796 and from March 1, 1969 to May 31, 1969 was \$22,633

DESCRIPTION OF SHARES

Each shareholder is entitled to one vote at all meetings of shareholders for each share held. Each share ranks equally with all other shares with respect to rights to dividends and upon a winding-up or dissolution of the Company. All shares to be outstanding upon completion of the present financing will be fully paid and non-assessable.

DESCRIPTION OF SHARE PURCHASE WARRANTS

The Company will issue share purchase warrants (the "warrants") entitling the holders thereof to purchase in the aggregate 100,000 shares, as presently constituted, at any time up to the close of business on October 31, 1972 at the price of \$4.75 per share, in accordance with the provisions of a share purchase warrant indenture (the "Warrant Indenture") to be dated as of September 19, 1969 between the Company and Canada Permanent Trust Company, as Trustee.

The Warrant Indenture will contain anti-dilution provisions including, among other things, provisions for appropriate adjustment in the class and number of such shares issuable pursuant to such Warrant Indenture and in the price of such shares upon the occurrence of certain events including any subdivision, consolidation or reclassification of the shares, the payment of stock dividends or the subsequent issue of shares at a price lower than the then current warrant exercise price.

PRIOR SALES OF SHARES

Within the past twelve months 100,000 of the share purchase warrants issued by the Company in 1964 were exercised and 100,000 shares were issued by the Company at the price of \$3.00 per share.

Within the same period the three Selling Shareholders sold in the aggregate 75,000 shares at prices ranging from \$4.50 to \$7.00 per share.

STOCK OPTIONS

The Company has granted options to certain directors and senior officers of the Company and a subsidiary upon the terms and conditions set forth below:

<u>Optionees</u>	<u>Number of shares optioned</u>	<u>Expiry date</u>	<u>Exercise price</u>	<u>Market value at date of grant</u>
Directors and senior officers of the Company	22,911	June 25, 1974	\$6.10	\$6.75
A director and senior officer of a subsidiary . .	5,000	April 27, 1974	\$8.10	\$9.00

PLAN OF DISTRIBUTION

Pursuant to an agreement dated September 19, 1969 as amended by an agreement dated October 8, 1969 (the "underwriting agreement") the Company has agreed to sell and Annett Partners Limited (the "Underwriter") has agreed to purchase, as principal, 200,000 shares and 100,000 share purchase warrants for an aggregate price of \$855,450 (which includes \$450 for 50,000 warrants being purchased for investment and not forming part of the Units offered hereby) payable in cash against delivery of the definitive certificates representing the said shares and share purchase warrants, subject to the terms and conditions set out in the underwriting agreement and compliance with the necessary legal formalities.

The Underwriter is obliged to take up and pay for all of the shares and the share purchase warrants, if any are taken up, subject to the terms, conditions and provisions of the said agreement, pursuant to which the Underwriter has the right to refuse to complete the purchase in certain stated events.

The Underwriter may grant a reduction from the public offering price to other investment dealers or broker dealers who purchase as principals from the Underwriter for resale to the public at the offering price and may allocate to them part of the said share purchase warrants not forming part of the Units.

Pursuant to the underwriting agreement, Harry Lerman, Arthur Lerman and Arthur Lipton (the "Selling Shareholders") also appointed Annett Partners Limited their agents to offer for sale, through the facilities

of the Canadian Stock Exchange, at the market price for shares of the Company, but subject to a minimum price of \$4.75 per share, the 50,000 shares to be sold by the Selling Shareholders. This agreement also provides that none of these 50,000 shares may be sold as aforesaid without the prior consent of Annett Partners Limited.

DIVIDEND RECORD

The following is the dividend record of the Company since it became amalgamated in 1964:

<u>Financial Year ended</u>	<u>Dividend paid per share</u>
April 30, 1965.....	—
April 30, 1966.....	10¢
April 30, 1967.....	15¢
April 30, 1968.....	15¢
February 28, 1969.....	7½¢

A further dividend of 7½¢ per share was paid on April 30, 1969.

The Company's 7½% and 8% Debentures contain restrictions on the payment of dividends. Reference is made to Note 12 to the Financial Statements on page 15.

PRINCIPAL AND SELLING SHAREHOLDERS

<u>Name and Address</u>	<u>Type of Ownership</u>	<u>No. of shares owned as at June 17, 1969</u>	<u>Percentage of class owned before this financing</u>	<u>No. of shares to be sold</u>	<u>No. of shares to be owned after this financing</u>	<u>Percentage of class to be owned after this financing⁽¹⁾</u>
HARRY LERMAN, 222 Acton Avenue, Downsview, Ontario.	Of record and beneficial	76,632	13.72%	16,665	59,967	7.91%
ARTHUR LERMAN, 225 Acton Avenue, Downsview, Ontario.	Of record and beneficial	76,631	13.72%	16,665	59,966	7.91%
ARTHUR LIPTON, 249 Hillhurst Boulevard, Toronto, Ontario.	Of record and beneficial	60,020	10.75%	16,670	59,451	7.84%
	Beneficial	16,101	2.88%			

(1) After giving effect to the sale by the Company of 200,000 shares and the sale of 50,000 shares by the Selling Shareholders.

As at June 17, 1969 the directors and senior officers of the Company as a group owned beneficially, directly or indirectly, 41.13% of its then outstanding shares.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

On October 31, 1967 the Company purchased from the wives of three of the directors of the Company all the shares of Santam Sales Limited for a price of \$150,000. The price was satisfied by a cash payment of \$30,000 and an interest-free Debenture of the Company in the amount of \$120,000. Reference is made to Note 5 under "Capitalization" on page 5.

The names and addresses of the vendors are as follows:

HELEN LERMAN 222 Acton Avenue, Downsview, Ontario.	SYLVIA LERMAN 225 Acton Avenue, Downsview, Ontario.	EVALYN LIPTON 249 Hillhurst Boulevard, Toronto, Ontario.
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The Company has paid fees for legal services rendered by a law firm of which a director of the Company is a partner.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the following are the only contracts entered into by the Company and its subsidiaries within the two years prior to the date hereof which can reasonably be regarded as presently material to proposed purchasers of the securities hereby offered:

- (i) Agreement dated October 31, 1967 between the Company and Helen Lerman, Sylvia Lerman and Evalyn Lipton providing for the purchase by the Company of all the shares of Santam Sales Limited. Reference is made to "Interest of Management and Others in Material Transactions" on page 8.
- (ii) Agreement dated March 4, 1969 between the Company and Irving Erenberg providing for the purchase by the Company of all the shares of College Plumbing Supplies Limited. Reference is made to "Business of the Company" on page 3.
- (iii) Agreement dated May 15, 1969 between the Company and Victor Giordano, Domenic Giordano and Mary Ivan, as amended by subsequent exchange of letters between solicitors for the parties, providing for the purchase by the Company of all the issued shares of Giordano Sand and Gravel Limited and for the employment by Giordano Sand & Gravel Limited of Messrs. Victor Giordano and Domenic Giordano for a period of 5 years on the terms and conditions of draft employment contracts thereto annexed. Reference is made to the headings "Giordano Sand & Gravel Limited" and "Management" on pages 4 and 6, respectively.
- (iv) Agreement dated May 15, 1969 between the Company and Giordano Sand & Gravel (Properties) Limited, Eleanor Cosentino, Lena Giordano and Teresa Giordano, as amended by subsequent exchange of letters between solicitors for the parties, providing for the purchase by the Company of 50% of the issued shares of Kenvik Investments Limited and all shareholders' advances owing by Kenvik Investments Limited to Giordano Sand & Gravel (Properties) Limited. Reference is made to the heading "Giordano Sand & Gravel Limited" on page 4.
- (v) Agreement between Giordano Sand & Gravel (Properties) Limited and Crawford Allied Industries Limited dated May 15, 1969, as amended by subsequent exchange of letters between solicitors for the parties, pursuant to which, inter alia, Giordano Sand & Gravel Limited has undertaken to lease from Giordano Sand & Gravel (Properties) Limited 99.31 acres of land in Uxbridge for a term of 10 years and 6 months. Performance of the obligations of the Lessee is to be guaranteed by the Company and Kenvik Investments Limited. Reference is made to "Property of the Company" on page 5.
- (vi) Agreement dated May 15, 1969 between the Company and Giordano Sand & Gravel (Properties) Limited, Victor Giordano, Domenic Giordano, Mary Ivan, Eleanor Cosentino, Lena Giordano and Teresa Giordano providing, inter alia, that if any one or more of the transactions contemplated by agreements numbers (iii), (iv) and (v) above fail to close, there shall be no obligation to complete the transactions contemplated by the remainder of the said three agreements.
- (vii) Agreement between College Plumbing Supplies Limited and Irving Erenberg dated April 28, 1969 providing for the employment by College Plumbing of Mr. Erenberg as General Manager for a period of 5 years. Reference is made to the heading "Management" on page 6.
- (viii) Agreement between Crawford Allied Industries Limited and Irving Erenberg dated April 28, 1969 granting a stock option to Mr. Erenberg in respect of 5,000 shares of Crawford Allied Industries Limited. Reference is made to the heading "Stock Options" on page 7.
- (ix) Agreement dated April 28, 1969 between Irving Erenberg, Crawford Allied Industries Limited and Canada Permanent Trust Company pursuant to which all the issued common shares of College Plumbing Supplies Limited are pledged with Canada Permanent Trust Company as collateral security for payment of a debenture of Crawford Allied Industries Limited in the amount of \$400,000. Reference is made to the heading "College Plumbing Supplies Limited" on page 3.
- (x) Underwriting agreement dated September 19, 1969, as amended by agreement dated October 8, 1969 between the Company and Annett Partners Limited, referred to under "Plan of Distribution" on page 7.
- (xi) Agreement dated January 18, 1968 between the Company and Canadian Stock Exchange providing for listing of the Company's shares.

- (xii) Stock options granted by the Company to certain of its directors and senior officers pursuant to agreements dated as of June 25, 1969.

Copies of the foregoing instruments may be inspected during ordinary business hours at the head office of the Company during primary distribution of the securities offered by this prospectus and for a period of 30 days thereafter.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Messrs. Brockman, Risman, Marr & Company, Chartered Accountants, 121 Richmond Street West, Toronto.

The Transfer Agent and Registrar for the shares of the Company is Canada Permanent Trust Company at its principal office in Toronto where the register for the transfer of shares will be kept.

OPINION OF COUNSEL

In the opinion of Messrs. Cadsby, Solish & Kerbel, counsel to the Company, these shares will be an investment in which the Canadian and British Insurance Companies Act states that a company registered under Part III thereof may, without availing itself for that purpose of the provisions of subsection 4 of section 63 of the said Act, invest its funds and will also be an investment in which Schedule C to the Regulations under the Pension Benefits Standards Act states that the funds of a pension plan thereunder may be invested without resorting to the provisions of section 4 of the said Schedule C. The partners of Messrs. Cadsby, Solish & Kerbel beneficially own, directly or indirectly, in the aggregate 1,000 shares of the Company.

CRAWFORD ALLIED INDUSTRIES LIMITED
and Subsidiary Companies

Consolidated Balance Sheet and Pro Forma Balance Sheet as at February 28, 1969

	Balance Sheet Note 2	Pro Forma Balance Sheet (Unaudited) Notes 1 & 2
ASSETS		
CURRENT:		
Cash and Short-Term Deposits.....	\$ 209,096	\$ 220,672
Accounts Receivable—after provision for doubtful accounts.....	183,599	836,364
Inventories—at lower of cost or net realizable value		
Processed Sand and Gravel.....	102,490	116,951
Plumbing Supplies.....	—	584,534
Prepaid Expenses and Sundry Assets.....	81,994	136,557
Special Refundable Tax.....	16,756	18,105
Loans Receivable.....	—	34,505
	<u>593,935</u>	<u>1,947,688</u>
FIXED: (Note 4)		
Land available for Sand and Gravel operations (including \$604,754—excess of cost of shares of subsidiaries over net book value of assets acquired).....	462,268	1,242,331
Land, Buildings, Equipment, Rolling Stock and Vehicles.....	<u>1,087,257</u>	<u>1,723,370</u>
	1,549,525	2,965,701
Less—Accumulated Depreciation and Depletion.....	778,996	1,208,023
	<u>770,529</u>	<u>1,757,678</u>
EXCESS OF COST OF SHARES OF SUBSIDIARIES OVER NET BOOK VALUE OF ASSETS ACQUIRED (Note 5)	150,229	625,059
	<u><u>\$1,514,693</u></u>	<u><u>\$4,330,425</u></u>
LIABILITIES		
CURRENT:		
Bank Advances—secured by book debts (Note 11).....	\$ —	\$ 372,000
Accounts Payable and Accrued Liabilities.....	165,516	571,284
Income Taxes Payable.....	101,996	180,699
Loans Payable to Directors.....	6,925	6,925
Long Term Debt—current portion.....	66,685	215,956
	<u>341,122</u>	<u>1,346,864</u>
LONG TERM—after deducting amounts included in current liabilities (Note 6)		
Mortgages and Debentures Payable.....	294,748	689,212
Due on Equipment.....	1,650	117,228
	<u>296,398</u>	<u>806,440</u>
DEFERRED INCOME TAXES (Note 7).....	<u>26,718</u>	<u>26,718</u>
	664,238	2,180,022
SHAREHOLDERS' EQUITY		
CAPITAL STOCK: (Note 9)		
Authorized—1,000,000 shares without par value		
Issued and Fully Paid—439,500 shares.....	236,700	—
—758,222 shares.....		1,581,198
RETAINED EARNINGS.....	608,755	563,755
CONTRIBUTED SURPLUS (Note 10).....	5,000	5,450
	<u>850,455</u>	<u>2,150,403</u>
	<u><u>\$1,514,693</u></u>	<u><u>\$4,330,425</u></u>
CONTINGENT LIABILITY (Note 11)		

APPROVED ON BEHALF OF THE BOARD

(Signed) HARRY LERMAN, Director

(Signed) ARTHUR LIPTON, Director

See accompanying notes which are an integral part of these financial statements.

CRAWFORD ALLIED INDUSTRIES LIMITED
and Subsidiary Companies

Consolidated Statement of Earnings For the Four Years and Ten Months Ended February 28, 1969

	Ten Months Ended		Year Ended			
	February 28, 1969	February 29, 1968	April 30, 1968	April 30, 1967	April 30, 1966	April 30, 1965
	(Unaudited)					
Sales.....	\$2,213,131	\$2,004,975	\$2,283,359	\$2,353,387	\$2,134,952	\$1,867,234
Cost of Sales.....	581,812	645,860	712,688	439,152	534,414	411,329
Gross Margin.....	<u>\$1,631,319</u>	<u>\$1,359,115</u>	<u>\$1,570,671</u>	<u>\$1,914,235</u>	<u>\$1,600,538</u>	<u>\$1,455,905</u>
Expenses.....	\$1,060,019	\$ 977,903	\$1,124,424	\$1,322,262	\$1,024,140	\$ 974,541
Depreciation and Depletion (Note 4).....	85,428	99,336	119,029	158,146	156,304	127,795
Remuneration of Directors and Senior Officers.....	93,796	90,942	109,288	103,635	78,482	67,229
Interest on Long Term Debt.....	21,347	27,401	32,434	31,656	34,153	33,973
	<u>\$1,260,590</u>	<u>\$1,195,582</u>	<u>\$1,385,175</u>	<u>\$1,615,699</u>	<u>\$1,293,079</u>	<u>\$1,203,538</u>
NET EARNINGS BEFORE INCOME TAXES.....	\$ 370,729	\$ 163,533	\$ 185,496	\$ 298,536	\$ 307,459	\$ 252,367
Income Taxes (Note 7).....	190,931	83,066	91,594	145,176	149,729	121,081
NET EARNINGS.....	<u>\$ 179,798</u>	<u>\$ 80,467</u>	<u>\$ 93,902</u>	<u>\$ 153,360</u>	<u>\$ 157,730</u>	<u>\$ 131,286</u>

See accompanying notes which are an integral part of these financial statements.

Consolidated Statement of Retained Earnings
For the Four Years and Ten Months Ended February 28, 1969

	Ten Months Ended	Year Ended			
	February 28, 1969	April 30, 1968	April 30, 1967	April 30, 1966	April 30, 1965
Balance—at beginning of period.....	\$ 461,657	\$ 433,155	\$ 345,195	\$ 214,090	\$ 91,468
Add—Net Earnings for period.....	179,798	93,902	153,360	157,730	131,286
Gain on discharge of mortgage.....	—	—	—	16,975	—
	<u>\$ 641,455</u>	<u>\$ 527,057</u>	<u>\$ 498,555</u>	<u>\$ 388,795</u>	<u>\$ 222,754</u>
Less—Expenses of public issue.....	\$ —	\$ —	\$ —	\$ —	\$ 8,664
Dividends paid.....	32,700	65,400	65,400	43,600	—
	<u>\$ 32,700</u>	<u>\$ 65,400</u>	<u>\$ 65,400</u>	<u>\$ 43,600</u>	<u>\$ 8,664</u>
Balance—at end of period.....	<u>\$ 608,755</u>	<u>\$ 461,657</u>	<u>\$ 433,155</u>	<u>\$ 345,195</u>	<u>\$ 214,090</u>

See accompanying notes which are an integral part of these financial statements.

CRAWFORD ALLIED INDUSTRIES LIMITED
and Subsidiary Companies

**Notes to Consolidated Balance Sheet and
Pro Forma Consolidated Balance Sheet as at February 28, 1969**

1. Pro Forma Consolidated Balance Sheet

The Pro Forma Consolidated Balance Sheet gives effect to the following transactions as if they had occurred on February 28, 1969:

- (i) The purchase of all the outstanding shares of Giordano Sand & Gravel Limited which owns 50% of Kenvik Investments Limited for a consideration of \$750,000 in cash pursuant to an agreement dated May 15, 1969 and the payment of \$17,250 for an extension of the closing date of this purchase;
- (ii) The purchase of 50% of the shares of and certain shareholders' advances owing by Kenvik Investments Limited for a consideration of \$40,000 in cash pursuant to an agreement dated May 15, 1969 and the subsequent sale of these shares and advances to Giordano Sand & Gravel Limited;
- (iii) The purchase of all the outstanding shares of College Plumbing Supplies Limited for a total consideration of \$900,000 payable as follows: \$300,002 in cash, the allotment and issue of 22,222 fully paid and non-assessable shares of the Company for \$199,998 and the issue of a \$400,000 7½% Debenture dated April 14, 1969, pursuant to an agreement between the Company and the shareholders of College Plumbing Supplies Limited dated March 4, 1969;
- (iv) The conversion of 96,500 share purchase warrants of the Company into 96,500 fully paid and non-assessable shares of the Company for a total consideration of \$289,500;
- (v) The issue and sale of 200,000 shares and 100,000 share purchase warrants for \$855,450 pursuant to an underwriting agreement dated September 19, 1969, as amended;
- (vi) Payment of expenses of issue estimated at \$45,000, which amount has been charged against retained earnings.

2. Basis of Consolidation

The Consolidated Balance Sheet as of February 28, 1969 includes the assets and liabilities of Crawford Allied Industries Limited, Santam Sales Limited and San-Mar Sand & Gravel Limited.

The Pro Forma Consolidated Balance Sheet as of February 28, 1969 includes the assets and liabilities of Crawford Allied Industries Limited, Santam Sales Limited, San-Mar Sand & Gravel Limited, College Plumbing Supplies Limited, Giordano Sand & Gravel Limited and Kenvik Investments Limited.

3. Lease Obligations

- (i) Giordano Sand & Gravel Limited will enter into a lease of certain sand and gravel pits for a term of ten years and six months to be computed from the date of closing of the purchase of all its outstanding shares by Crawford Allied Industries Limited. Giordano Sand & Gravel Limited will pay a yearly rental of \$100,000 in equal consecutive monthly installments of \$8,333 and, in addition, all costs and expenses relating to the leased premises. Giordano Sand & Gravel Limited will have an exclusive option to purchase, at the expiration of the lease, the said premises for a total of \$10.

Crawford Allied Industries Limited and Kenvik Investments Limited will guarantee the performance of this lease. Giordano Sand & Gravel Limited will give mortgages against its properties and chattels as security for performance of the lease. Kenvik Investments Limited will give as collateral security to its guarantee a mortgage against its properties.

This lease has not been capitalized as management intends to charge the lease payments as an expense in the year in which they are incurred.

- (ii) College Plumbing Supplies Limited has entered into two leases as follows:

- (a) A seven-year lease of warehouse and office space in the Borough of North York expiring December 31, 1970, subject to the privilege of renewal for a further term of seven years on the same terms save and except as to the privilege of renewal, at a yearly rental of \$14,252 payable in equal consecutive monthly installments of \$1,188;
- (b) A ten-year lease of its retail outlet in the City of Toronto expiring December 31, 1977, at a yearly rental of \$6,000 payable in equal consecutive monthly installments of \$500.

4. Fixed Assets

- (i) CHANGE IN BASIS OF VALUATION OF FIXED ASSETS:

During the year the Company changed the basis of valuation of fixed assets by eliminating the excess of their appraised value over cost, which excess amounted to \$770,665. Accordingly, the Company's fixed assets are now valued at cost less accumulated depreciation and/or depletion thereon.

The change has no effect on the earnings of the Company for the current year or prior years because no depreciation and/or depletion on the excess of the appraised value over cost was charged to earnings.

- (ii) On consolidation Management has attributed to the cost of the land the excess of cost of shares of Giordano Sand & Gravel Limited and Kenvik Investments Limited over net book value of assets acquired, which excess amounted to \$604,754.

(iii) METHOD OF DEPRECIATION AND DEPLETION:

Depreciation: The Company follows the policy of providing for depreciation of fixed assets at the maximum rates of Capital Cost Allowances available under the Income Tax Act as follows: buildings 5%, general equipment 20%, vehicles, mining equipment and rolling stock 30%. Accelerated Capital Cost Allowances on trucks have been provided at a rate in excess of normal Capital Cost Allowances for Income Tax purposes only (See Note 7).

Depletion: The Company follows the policy of providing for depletion costs on sand and gravel produced by means of the following formula: cost of land less appraised residual value divided by the estimated tons of granular deposits therein as estimated by professional engineers.

5. Excess of cost of shares of Subsidiaries over net book value of assets acquired

	Balance Sheet	Pro Forma Balance Sheet
College Plumbing Supplies Limited.....	\$ —	\$454,109
Giordano Sand & Gravel Limited.....	—	20,721
Santam Sales Limited.....	150,229	150,229
	<u>\$150,229</u>	<u>\$625,059</u>

The excess of cost of the shares in the Subsidiaries as shown above could not be allocated to specific tangible assets acquired. The excess of cost of Giordano Sand & Gravel Limited over net book value exclusive of goodwill has been added to the value of land, as per Note 4.

6. Long Term Liabilities

	Balance Sheet	Pro Forma Balance Sheet
Mortgages:		
7% due October 31, 1976, payable \$800 plus interest monthly.....	\$ 73,600	\$ 73,600
7% due February 15, 1973, payable \$2,250 plus interest semi-annually.....	—	20,250
7% due August 12, 1973, (renewable for an additional five years) payable \$500 plus interest semi-annually.....	—	16,914
7% due October 15, 1978, payable \$400 plus interest semi-annually.....	—	21,000
6% due April 21, 1972, payable \$7,700 annually plus interest quarter-yearly.....	—	30,800
Debentures:		
First Debenture—8% due May 20, 1970, payable \$3,318 (principal and interest included) monthly	196,033	196,033
Second Debenture—7½% due April 14, 1974, payable \$20,000 plus interest quarter-yearly.....	—	400,000
Third Debenture—no interest due October 31, 1971, payable \$15,000 semi-annually.....	90,000	90,000
	<u>\$359,633</u>	<u>\$848,597</u>
Less—current portion.....	64,885	159,385
	<u>\$294,748</u>	<u>\$689,212</u>
Due on Equipment*		
Traders Group Limited payable \$245 monthly, due September 1970.....	\$ —	\$ 9,459
Traders Group Limited payable \$676 monthly, due April 1970.....	—	4,667
Canadian Acceptance Corporation Limited payable \$1,578 monthly, due September 10, 1971....	—	48,901
Canadian Acceptance Corporation Limited payable \$2,065 monthly, due June 14, 1973.....	—	107,322
Dominion Leasing Corporation Limited payable \$150 monthly, due December 22, 1970.....	3,450	3,450
	<u>\$ 3,450</u>	<u>\$173,799</u>
Less—current portion.....	1,800	56,571
	<u>\$ 1,650</u>	<u>\$117,228</u>

*Each of the above is secured on specific fixed assets of the Company.

The above does not include mortgages on properties and chattels of Giordano Sand & Gravel Limited and on properties of Kenvik Investments Limited which have been given as collateral security to Giordano Sand & Gravel (Properties) Limited for a guarantee of performance of the obligations of Giordano Sand & Gravel Limited under the terms of the lease referred to in Note 3 (i).

7. Deferred Income Taxes

The Company has provided for deferred income taxes on the excess of available accelerated capital cost allowances over established normal capital cost allowances (Note 4 (iii)). The deferred income taxes are applicable to those periods in which the accelerated capital cost allowances claimed for tax purposes will be less than the normal capital cost allowances recorded in the accounts.

8. In respect of Federal and Provincial income taxes, the Company and its subsidiaries have last been assessed and re-assessed as follows:

	Assessed for fiscal year ended	Re-Assessed for fiscal year ended
Crawford Allied Industries Limited.....	1969	1966
Santam Sales Limited.....	1968	1966
San-Mar Sand & Gravel Limited.....	1968	(not re-assessed)

9. Capital Stock

The Company has reserved for issuance an aggregate of 127,911 shares as follows:

Warrants

100,000 Shares are reserved for issuance upon the exercise of share purchase warrants (note 1 (v)). These warrants may be exercised on or before October 31, 1972 at \$4.75 per share.

Stock options

27,911 shares are reserved for issuance upon the exercise of stock options. These options may be exercised as follows:
as to 22,911 shares, on or before June 25, 1974 at \$6.10 per share and as to 5,000 shares, on or before April 27, 1974 at \$8.10 per share.

10. Contributed Surplus

This amount arises from the sale of 150,000 share purchase warrants.

11. Contingent Liability

The Company is guaranteeing the bank advances to College Plumbing Supplies Limited.

12. Dividends

According to the terms of the first and second debentures mentioned in Note 6, the Company cannot pay in any fiscal year any dividends which are in excess of fifty per cent (50%) of the previous fiscal year's net profits or if any such dividends have the effect of reducing the net worth of the Company as represented by capital stock and retained earnings below the amount of \$400,000.

Auditors' Report

To the Directors,
CRAWFORD ALLIED INDUSTRIES LIMITED
Maple, Ontario

Gentlemen:

We have examined the consolidated balance sheet of Crawford Allied Industries Limited and Subsidiary Companies as at February 28, 1969 and the consolidated statements of earnings and retained earnings for the four years and ten months ended February 28, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings present fairly the financial position of Crawford Allied Industries Limited and its Subsidiary Companies as at February 28, 1969 and the results of their operations for the four years and ten months ended on that date, in accordance with generally accepted accounting principles applied on a consistent basis except for the change in the basis of valuation of fixed assets referred to in Note 4 (i) with which we concur.

Toronto, Canada
October 9, 1969.

(Signed) BROCKMAN, RISMAN, MARR & Co.
Chartered Accountants.

COLLEGE PLUMBING SUPPLIES LIMITED
(A private company incorporated under the laws of the Province of Ontario)

Balance Sheet

	As at	
	February 28, 1969 (Unaudited)	November 30, 1968
ASSETS		
CURRENT:		
Cash on Hand.....	\$ —	\$ 160,047
Accounts Receivable—after provision for doubtful accounts.....	554,581	577,158
Inventory of Plumbing Supplies—at lower of cost or net realizable value.....	584,534	553,010
Prepaid Expenses and Sundry Assets.....	9,632	9,721
Special Refundable Tax.....	1,349	1,399
Loan Receivable—Director.....	18,395	13,044
	<u>1,168,491</u>	<u>1,314,379</u>
FIXED—at cost: (Note 1)		
Motor vehicles, equipment and leasehold improvements.....	144,518	144,518
<i>Less</i> Accumulated Depreciation and Amortization.....	112,207	110,092
	<u>32,311</u>	<u>34,426</u>
GOODWILL—at cost.....	<u>25,000</u>	<u>25,000</u>
	<u>\$1,225,802</u>	<u>\$1,373,805</u>

LIABILITIES

CURRENT:		
Bank Advances (secured by book debts).....	\$ 378,612	\$ 210,000
Accounts Payable and Accrued Liabilities.....	331,547	657,095
Income Taxes Payable.....	44,753	44,908
	<u>754,912</u>	<u>912,003</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK:		
Authorized—90,000 5% non-voting, non-cumulative, redeemable, Preference Shares par value \$1 each		
—10,000 Common Shares par value \$1 each		
Issued and fully paid—100 Common Shares.....	100	100
RETAINED EARNINGS.....	<u>470,790</u>	<u>461,702</u>
	<u>470,890</u>	<u>461,802</u>
	<u>\$1,225,802</u>	<u>\$1,373,805</u>

APPROVED ON BEHALF OF THE BOARD

(Signed) HARRY LERMAN, Director

(Signed) ARTHUR LIPTON, Director

See accompanying notes which are an integral part of these financial statements.

COLLEGE PLUMBING SUPPLIES LIMITED

Statement of Earnings

	Three Months Ended		Year Ended				
	February 28, 1969	February 29, 1968	November 30, 1968	November 30, 1967	November 30, 1966	November 30, 1965	November 30, 1964
	(Unaudited)						
Sales.....	\$870,393	\$696,905	\$3,949,919	\$2,598,364	\$2,936,187	\$2,162,606	\$1,526,049
Cost of Sales.....	754,631	604,217	3,424,689	2,240,457	2,536,046	1,860,008	1,296,484
Gross Margin.....	115,762	92,688	525,230	357,907	400,141	302,598	229,565
Expenses.....	89,514	67,958	319,881	244,484	215,916	192,829	158,247
Remuneration of Senior Officers.....	5,200	6,820	22,420	59,630	73,760	38,700	27,600
Depreciation and Amortization— (Note 1).....	2,115	3,261	11,336	12,486	12,385	5,563	5,581
	96,829	78,039	353,637	316,600	302,061	237,092	191,428
NET EARNINGS BEFORE INCOME TAXES	18,933	14,649	171,593	41,307	98,080	65,506	38,137
Income Taxes—(Note 2).....	9,845	7,617	79,198	11,240	40,852	23,655	10,056
NET EARNINGS—(Note 3).....	<u>\$ 9,088</u>	<u>\$ 7,032</u>	<u>\$ 92,395</u>	<u>\$ 30,067</u>	<u>\$ 57,228</u>	<u>\$ 41,851</u>	<u>\$ 28,081</u>

See accompanying notes which are an integral part of these financial statements.

Statement of Retained Earnings

	Three Months Ended	Year Ended				
	February 28, 1969	November 30, 1968	November 30, 1967	November 30, 1966	November 30, 1965	November 30, 1964
	(Unaudited)					
Balance—at beginning of period.....	\$461,702	\$369,307	\$339,240	\$282,012	\$240,161	\$212,080
Add—Net Earnings for period.....	9,088	92,395	30,067	57,228	41,851	28,081
Balance—at end of period.....	<u>\$470,790</u>	<u>\$461,702</u>	<u>\$369,307</u>	<u>\$339,240</u>	<u>\$282,012</u>	<u>\$240,161</u>

See accompanying notes which are an integral part of these financial statements.

COLLEGE PLUMBING SUPPLIES LIMITED

Notes to Financial Statements

1. Fixed Assets

(a) This item includes	February 28, 1969	November 30, 1968
Motor Vehicles at Cost.....	\$ 90,735	\$90,735
Tools and Equipment at Cost.....	34,136	34,136
Leasehold Improvements at Cost.....	19,647	19,647
	<u>\$144,518</u>	<u>\$144,518</u>
Accumulated Depreciation and Amortization.....	112,207	110,092
	<u>\$ 32,311</u>	<u>\$ 34,426</u>

(b) The Company follows the policy of providing for depreciation of fixed assets at the maximum rates of Capital Cost Allowances available under the Income Tax Act as follows: vehicles 30%, equipment 20%, leasehold improvements amortized over the term of the lease.

2. Income taxes have been provided at the lower rates for the years ended November 30, 1964 to 1968. For the taxation year 1969, as a subsidiary of Crawford Allied Industries Limited, the Company will be taxable at the maximum rates. These maximum rates have been used for the three months ended February 28, 1969 as well as for the similar period in 1968 for comparative purposes.

3. For the month of March 1969 the Company had net earnings of \$10,938 (1968—\$4,418) after income taxes on sales of \$371,819 (1968—\$254,179).

4. Lease Obligations

The Company has entered into two leases as follows:

- (i) Seven-year lease of warehouse and office space in the Borough of North York expiring December 31, 1970, subject to the privilege of renewal for a further term of seven years on the same terms save and except as to the privilege of renewal, at a yearly rental of \$14,252 payable in equal consecutive monthly installments of \$1,188.
- (ii) Ten-year lease of its retail outlet in the City of Toronto expiring December 31, 1977, at a yearly rental of \$6,000 payable in equal consecutive monthly installments of \$500.

Auditors' Report

To the Directors

COLLEGE PLUMBING SUPPLIES LIMITED

We have examined the balance sheet of College Plumbing Supplies Limited as at November 30, 1968 and the statement of earnings and retained earnings for the five years ended November 30, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at November 30, 1968 and the results of its operations for the five years ended on that date in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada
September 19, 1969.

(Signed) HARRY A. STARR & Co.
Chartered Accountants.

GIORDANO SAND & GRAVEL LIMITED

(A private company incorporated under the laws of the Province of Ontario)

Pro Forma Consolidated Balance Sheet as at February 28, 1969 (Note 1)

ASSETS

CURRENT:

Cash.....	\$ 52,490	
Accounts Receivable—after provision for doubtful accounts.....	98,184	
Inventory—at lower of cost or net realizable value.....	14,461	
Loan Receivable—Giordano Sand & Gravel (Properties) Limited.....	16,110	
Prepaid Expenses and Sundry Assets.....	18,635	\$ 199,880

FIXED: (at cost) (Note 2)

Land available for Sand and Gravel Operations (including \$30,740—excess of cost of shares of subsidiary over net book value of assets acquired) (Note 3).....	206,049	
Land, Buildings, Equipment, Rolling Stock and Vehicles.....	491,595	
	697,644	
Less—Accumulated Depreciation and Depletion.....	316,820	380,824

OTHER: (at cost)

Deferred Finance Charges.....	26,296	
Goodwill and Organization Expenses.....	20,721	47,017
		<u>\$ 627,721</u>

LIABILITIES

CURRENT:

Bank Advances—secured by book debts.....	\$ 27,000	
Accounts Payable and Accrued Liabilities.....	74,221	
Income Taxes Payable.....	33,951	
Advances from Crawford Allied Industries Limited.....	43,871	
Long Term Debt—current portion.....	69,271	\$ 248,314

LONG TERM—after deducting amounts included in current liabilities (Note 4)

Mortgages payable.....	74,464	
Due on equipment.....	115,578	190,042
		<u>438,356</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK:

Authorized:

3,600 6%, non-voting, non-cumulative, redeemable Preference Shares par value \$10 each	
4,000 Common shares—without par value	

Issued and Fully Paid:

3,600 Preference Shares.....	36,000	
3,000 Common Shares.....	3,000	
	39,000	

RETAINED EARNINGS.....	150,365	189,365
		<u>\$ 627,721</u>

APPROVED ON BEHALF OF THE BOARD

(Signed) V. GIORDANO, Director

(Signed) D. GIORDANO, Director

See accompanying notes which are an integral part of these financial statements.

GIORDANO SAND & GRAVEL LIMITED

Notes to the Pro Forma Consolidated Balance Sheet as at February 28, 1969

1. Pro Forma Consolidated Balance Sheet

The Pro Forma Consolidated Balance Sheet gives effect to the following:

- (i) The purchase of 50% of the shares of and certain shareholders' advances owing by Kenvik Investments Limited from Crawford Allied Industries Limited for \$40,000.
- (ii) The consolidation of Kenvik Investments Limited as a wholly-owned subsidiary of the company.

2. Fixed Assets

This item includes

Land Available for Sand and Gravel Operations (See Note 3).....	\$206,049
Land—at Cost.....	1,783
Buildings—at Cost.....	19,335
Rolling Stock and Vehicles—at Cost.....	467,750
Equipment.....	2,727
	<u>\$697,644</u>
Accumulated Depreciation and Depletion.....	316,820
	<u>\$380,824</u>

3. Land Available for Sand and Gravel Operations

On consolidation Management has attributed to the cost of the land the excess of the cost of the shares of Kenvik Investments Limited over net book value of assets acquired, which excess amounted to \$30,740.

4. Long Term Debt

Mortgages:

7% due February 15, 1973, payable \$2,250 plus interest semi-annually.....	\$ 20,250
7% due August 12, 1973, (renewable for an additional five years) payable \$500 plus interest semi-annually.....	16,914
7% due October 15, 1978, payable \$400 plus interest semi-annually.....	21,000
6% due April 21, 1972, payable \$7,700 annually plus interest quarter-yearly.....	30,800
	<u>88,964</u>
Less—Current Portion.....	14,500
	<u>\$ 74,464</u>

Due on Equipment*

Traders Group Limited payable \$245 monthly, due September 1970.....	\$ 9,459
Traders Group Limited payable \$676 monthly, due April 1970.....	4,667
Canadian Acceptance Corporation Limited payable \$1,578 monthly, due September 10, 1971.....	48,901
Canadian Acceptance Corporation Limited payable \$2,065 monthly, due June 14, 1973.....	107,322
	<u>170,349</u>
Less—Current Portion.....	54,771
	<u>\$115,578</u>

*Each of the above is secured on specific fixed assets of the Company.

The above does not include mortgages on lands and chattels of the company and on lands of Kenvik Investments Limited which will be given as collateral security to Giordano Sand & Gravel (Properties) Limited for a guarantee of performance of the obligations of the company under the terms of the lease as per Note 5.

5. Lease Obligations

The company will enter into a lease of certain sand and gravel pits for a term of ten years and six months to be computed from the date of closing of the purchase of all its outstanding shares by Crawford Allied Industries Limited. The company will pay a yearly rental of \$100,000 in equal consecutive monthly installments of \$8,333 and, in addition, all costs and expenses relating to the leased premises. The company will have an exclusive option to purchase, at the expiration of the lease, the said premises for a total price of \$10.

Kenvik Investments Limited and Crawford Allied Industries Limited will guarantee the performance of this lease. The company will give mortgages against its properties and chattels as security for performance of the lease. Kenvik Investments Limited will give as collateral security to its guarantee a mortgage against its properties.

Auditors' Report on Pro Forma Consolidated Balance Sheet

To the Directors

GIORDANO SAND & GRAVEL LIMITED

We have examined the pro forma consolidated balance sheet of Giordano Sand & Gravel Limited and its Subsidiary Company as at February 28, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying pro forma consolidated balance sheet presents fairly the financial position of the Company and its Subsidiary as at February 28, 1969, after giving effect to the changes set forth in Note 1, in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada
September 19, 1969

(Signed) DIRENFELD, BARRIN, NAIMAN & KRANDEL
Chartered Accountants.

GIORDANO SAND & GRAVEL LIMITED

Statement of Earnings

	Five Months Ended		Two Years	Year Ended				
	February	February	September	September	September	September	September	September
	28, 1969	29, 1968	30, 1968	30, 1968	30, 1967	30, 1966	30, 1965	30, 1964
	(Unaudited)		(Combined)	*	*	Unaudited		
Sales.....	\$ 357,896	\$ 340,287	\$ 1,395,488	\$ 857,763	\$ 537,725	\$ 638,763	\$ 532,151	\$ 586,202
Cost of Sales.....	262,888	256,317	1,042,269	600,906	441,363	521,811	435,048	470,497
Gross Margin.....	\$ 95,008	\$ 83,970	\$ 353,219	\$ 256,857	\$ 96,362	\$ 116,952	\$ 97,103	\$ 115,705
Expenses.....	\$ 25,501	\$ 17,135	\$ 60,672	\$ 39,909	\$ 20,763	\$ 26,663	\$ 30,824	\$ 38,636
Depreciation and Depletion (Note 1).....	23,861	11,334	103,423	78,539	24,884	25,983	30,824	19,291
Remuneration of Directors and Senior Officers....	14,065	9,890	58,510	36,790	21,720	31,008	25,700	34,600
Interest on Long Term Debt	6,727	3,178	12,145	6,094	6,051	5,740	2,568	2,507
	\$ 70,154	\$ 41,537	\$ 234,750	\$ 161,332	\$ 73,418	\$ 89,394	\$ 89,916	\$ 95,034
NET EARNINGS BEFORE IN- COME TAXES.....	\$ 24,854	\$ 42,433	\$ 118,469	\$ 95,525	\$ 22,944	\$ 27,558	\$ 7,187	\$ 20,671
Income Taxes (Note 2)....	12,924	22,065	45,580	40,303	5,277	6,353	1,667	6,201
NET EARNINGS.....	\$ 11,930	\$ 20,368	\$ 72,889	\$ 55,222	\$ 17,667	\$ 21,205	\$ 5,520	\$ 14,470

*Refer to Auditors' Report hereon

See accompanying notes which are an integral part of these financial statements.

Statement of Retained Earnings

	Five	Two Years	Year Ended				
	Months	Ended	September	September	September	September	September
	Ended		30, 1968	30, 1967	30, 1966	30, 1965	30, 1964
	(Combined)		*	*	Unaudited		
Balance—at beginning of period.....	\$ 138,435	\$ 63,557	\$ 81,224	\$ 63,557	\$ 42,352	\$ 30,380	\$ 5,848
Add—Net Earnings for period.....	11,930	72,889	55,222	17,667	21,205	5,520	14,470
—Gain on disposal of gravel pits	—	—	—	—	—	6,452	10,062
—Gain on disposal of investments	—	1,989	1,989	—	—	—	—
Balance—at end of period.....	\$ 150,365	\$ 138,435	\$ 138,435	\$ 81,224	\$ 63,557	\$ 42,352	\$ 30,380

*Refer to Auditors' Report hereon

See accompanying notes which are an integral part of these financial statements.

GIORDANO SAND & GRAVEL LIMITED

Notes to Statement of Earnings and Retained Earnings

1. The Company follows the policy of providing for depreciation of fixed assets at the maximum rates of capital cost allowances available under the Income Tax Act as follows: buildings 10%, machinery, plant and equipment 30%. The Company follows the policy of providing for depletion in respect of sand and gravel produced by means of the following formula: Cost of land less appraised residual value divided by the estimated tons of granular deposits therein as estimated by professional engineers.
2. Income taxes have been provided at the lower rates for the years ended September 30, 1964 to 1968. For the taxation year 1969 income taxes have been provided at the maximum rates as though the company were a subsidiary of Crawford Allied Industries Limited. These maximum rates have been used for the five months ended February 29, 1968 for comparative purposes only.
3. The Company has agreed to enter into a lease agreement with Giordano Sand & Gravel (Properties) Limited as per Note 5 of the Pro Forma Balance Sheet of the Company. Giordano Sand & Gravel (Properties) Limited will cancel all existing royalty agreements with the Company.

Directors' Report on Statement of Earnings and Retained Earnings

We were the directors of Giordano Sand & Gravel Limited during the years ended September 30, 1964 to September 30, 1968 inclusive and during the five-month period ended February 28, 1969.

We certify that the accompanying statements of earnings and statements of retained earnings for the year ended September 30 in each of the years 1964, 1965 and 1966 present fairly the operations of the company during the years ended September 30, 1964, September 30, 1965 and September 30, 1966 and were prepared on a basis consistent with that of the statements of earnings and retained earnings for each of the years ended September 30, 1967 and September 30, 1968 as well as the five months ended February 28, 1969.

(Signed) V. GIORDANO
Director

(Signed) D. GIORDANO
Director

(Signed) S. COSENTINO
Director

Toronto, Canada
September 19, 1969

Auditors' Report on Statement of Earnings and Retained Earnings

To the Directors,

GIORDANO SAND & GRAVEL LIMITED

We have examined the statement of earnings and retained earnings of Giordano Sand & Gravel Limited for the two years and five months ended February 28, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the previous auditors for the inventory valuation as at October 1, 1966.

Since we did not verify the inventory as at September 30, 1967, we are unable to express an opinion on the statements of earnings and retained earnings for the separate years ended September 30, 1967 and September 30, 1968.

In our opinion the combined statements of earnings and retained earnings for the two years ended September 30, 1968 and the statements of the earnings and retained earnings for the five months ended February 28, 1969 present fairly the results of the operations in accordance with generally accepted accounting principles on a consistent basis.

Toronto, Canada
September 19, 1969

(Signed) DIRENFELD, BARKIN, NAIMAN & KRANDEL
Chartered Accountants.

CRAWFORD ALLIED INDUSTRIES LIMITED

Combined Statement of Earnings (Notes 1 and 2) (Unaudited)

	Period Ended		Year Ended in				
	February 28, 1969	February 29, 1968	1968	1967	1966	1965	1964
Sales.....	\$3,408,087	\$3,042,167	\$7,084,374	\$5,489,476	\$5,709,902	\$4,561,991	\$2,112,251
Cost of Sales.....	1,565,998	1,506,394	4,731,616	3,120,972	3,592,271	2,706,385	1,766,981
Gross Margin.....	1,842,089	1,535,773	2,352,758	2,368,504	2,117,631	1,855,606	345,270
Expenses.....	1,175,034	1,062,996	1,484,214	1,587,509	1,266,719	1,198,194	196,883
Depreciation, Depletion and Amortization	111,404	113,931	208,904	195,516	194,672	164,182	24,872
Remuneration of Directors and Senior Officers.....	113,061	107,652	168,498	184,985	183,250	131,629	62,200
Interest on Long Term Debt.....	28,074	30,579	38,528	37,707	39,893	36,541	2,507
	1,427,573	1,315,158	1,900,144	2,005,717	1,684,534	1,530,546	286,462
NET EARNINGS BEFORE INCOME TAXES.	414,516	220,615	452,614	362,787	433,097	325,060	58,808
Income Taxes.....	204,089	100,109	211,095	161,692	196,934	146,402	16,257
NET EARNINGS FOR THE PERIOD.....	210,427	120,506	241,519	201,095	236,163	178,658	42,551
Less—Adjustment—Income Taxes (Note 3).....	1,309	4,461	14,114	16,807	18,126	12,479	4,173
Adjusted Net Earnings for the period..	<u>\$ 209,118</u>	<u>\$ 116,045</u>	<u>\$ 227,405</u>	<u>\$ 184,288</u>	<u>\$ 218,037</u>	<u>\$ 166,179</u>	<u>\$ 38,378</u>

See accompanying notes which are an integral part of these financial statements.

Notes to Combined Statement of Earnings

1. The combined statement of earnings includes the operating results of the following companies:

Company	Period
Giordano Sand & Gravel Limited.....	Year ended September 30, 1964
College Plumbing Supplies Limited.....	Year ended November 30, 1964
Crawford Allied Industries Limited and Subsidiaries*.....	Year ended April 30, 1965 to 1968
Giordano Sand & Gravel Limited.....	Year ended September 30, 1965 to 1968
College Plumbing Supplies Limited.....	Year ended November 30, 1965 to 1968
Crawford Allied Industries Limited and Subsidiaries*.....	Ten months ended February 29, 1968 and February 28, 1969
Giordano Sand & Gravel Limited.....	Five months ended February 29, 1968 and February 28, 1969
College Plumbing Supplies Limited.....	Three months ended February 29, 1968 and February 28, 1969

*Crawford Allied Industries Limited was formerly known as Crawford-Ontario Sand & Gravel Limited. The subsidiaries referred to are San-Mar Sand & Gravel Limited and Santam Sales Limited. San-Mar Sand & Gravel Limited is included for the years ended April 30, 1965 to April 30, 1968 and for the ten months ended February 29, 1968 and February 28, 1969. Santam Sales Limited is included for the years ended April 30, 1968 and the ten months ended February 29, 1968 and February 28, 1969.

2. All material inter-company items have been eliminated on combination.
3. Income taxes were converted from an historical basis for unassociated corporations to those exigible had all companies (Note 1) been associated.

PURCHASER'S STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

The Securities Act, 1966 (Ontario) provides, in effect, that where a security is offered to the public in the course of primary distribution.

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus and any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to Sections 63 and 64 of The Securities Act (Ontario) for the complete text of the provisions under which the above-mentioned rights are conferred.

Dated October 9, 1969.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder and under the Quebec Securities Act.

(Signed) HARRY LERMAN
Chief Executive Officer

(Signed) ARTHUR LIPTON
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) ARTHUR LERMAN
Director

(Signed) H. M. KERBEL
Director

To the best of our knowledge, information and belief, the foregoing together with the prospectus dated September 19, 1969, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder and under the Quebec Securities Act.

UNDERWRITER
ANNETT PARTNERS LIMITED

By: (Signed) D. R. ANNETT

The following are the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Annett Partners Limited: D. R. Annett, Bruce Attenborough, Carl Bastedo, T. R. Bradbury, C. B. King, Albert Waxer and Percy Waxer.

